

## Message Text

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21

ACTION EB-11

INFO OCT-01 AF-10 ISO-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 PER-05 FS-01 ABF-01

DRC-01 /095 W

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R 170500Z JAN 74

FM AMEMBASSY TANANARIVE

TO SECSTATE WASHDC 5932

AMEMBASSY PARIS

LIMITED OFFICIAL USE TANANARIVE 0062

E.O. 11652: N/A

TAGS: AFIN, MA, US

SUBJECT: DOLLAR-MALAGASY FRANC EXCHANGE RATE

PARIS FOR RFC

1. EMBASSY HAS BEEN BEWILDERED FOR SOME TIME BY LARGE DIFFERENCE BETWEEN MALAGASY CENTRAL BANK'S OFFICIAL BUYING AND SELLING RATES FOR U.S. DOLLARS ON ONE HAND AND RATES USED BY ALL LOCAL COMMERCIAL BANKS IN BUYING AND SELLING DOLLAR NOTES AND CHECKS. FOR EXAMPLE, WHEN CENTRAL BANK SET OFFICIAL BUYING RATE EARLY LAST WEEK AT 249.12 FMG/DOLLAR AND SELLING RATE AT 251.63, LOCAL BANKS WERE GIVING AND CHARGING 232 FMG AND 260 FMG RESPECTIVELY. IN OTHER WORDS, LOCAL BANKS WERE CHARGING CUSTOMERS, INCLUDING U.S. EMBASSY, ALMOST SEVEN PERCENT FOR DOLLARS AND MAKING OVER THREE PERCENT ON SELLING THEM. LOCAL BANKS, HOWEVER, APPLY OFFICIAL RATE ESTABLISHED BY CENTRAL BANK, IN INTER-BANK TRANSFERS.

2. INQUIRIES MADE TO LOCAL BANKS RESULTED IN REPEATED EXPLANATION THAT SUCH WIDE MARGIN BETWEEN OFFICIAL RATE AND RATE FOR NOTES/CHECKS WAS NECESSARY TO THEM BECAUSE OF EXPENSES

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INVOLVED IN SHIPPING NOTES/CHECKS (INCLUDING INSURANCE) AND TO

COVER POSSIBLE LOSSES AS RATE FLUCTUATES.

3. DCM TOOK UP MATTER WITH GOVERNOR OF CENTRAL BANK LEON RAJAOBELINA JANUARY 16. POINTED OUT THAT, ASIDE FROM OUR OWN DESIRE TO MAXIMIZE NUMBER OF MALAGASY FRANCS FOR DOLLAR, DISCREPANCY OF PRESENT PROPORTION DISCOURAGES TOURISM AND ENCOURAGES BLACK MARKET OPERATIONS. GOVERNOR AGREED ENTIRELY AND WAS AGHAST AT PROFITS BEING MADE BY LOCAL BANKS. HE APPEARED NOT TO HAVE BEEN UP-TO-DATE ON SITUATION. HE IMMEDIATELY CALLED IN CHIEF OF FOREIGN DEPARTMENT TO CONFIRM DCM'S INFORMATION WHICH HE DID. GOVERNOR'S REACTION WAS THAT CENTRAL BANK WILL HAVE TO TAKE MATTER UP VERY SOON WITH LOCAL ASSOCIATION OF BANKS, WHICH PERIODICALLY SETS RATES FOR NOTES/CHECKS, IN ORDER TO TRY TO GET THEIR RATES CLOSER TO OFFICIAL ONES. HE POINTED OUT AND DCM AGREED SUCH ACTION ON CENTRAL BANK'S PART WOULD BE IN INTEREST OF BOTH GOMR AND USG.

4. GOVERNOR THEN IMMEDIATELY SUGGESTED SHORT RUN SOLUTION TO PROBLEM AS IT CONCERNS OFFICIAL EXPENSES OF USG AGENCIES, I.E., USE INTER-BANK TRANSFERS. HE SAID US TREASURY DEPT COULD MAKE TRANSFERS TO ACCOUNTS OF CENTRAL BANK OF MALAGASY REPUBLIC IN EITHER FEDERAL RESERVE BANK OF NEW YORK OR FIRST NATIONAL CITY BANK OF NEW YORK. INSTRUCTIONS COULD BE GIVEN TO HAVE CENTRAL BANK IN TANANARIVE MAKE TRANSFER TO EMOASSY'S ACCOUNT IN LOCAL COMMERCIAL BANK. IN THAT EVENT, EMBASSY WOULD GET FULL OFFICIAL RATE IN EFFECT DAY TRANSFER MADE, HE SAID. HE ALSO SUGGESTED IT WOULD BE MUCH FASTER.

5. GOVERNOR'S SOLUTION SOUNDS SENSIBLE TO EMBASSY. IT WOULD SEEM USDO/PARIS COULD MAKE TRANSACTION THROUGH NEW YORK TO TANANARIVE JUST AS EASILY AS BY SENDING TREASURY CHECKS TO EMBASSY FOR DEPOSIT IN LOCAL ACCOUNT.

6. PROPOSAL WOULD RESULT IN SUBSTANTIAL SAVINGS TO US GOVT FOR OFFICIAL EXPENDITURES AS WELL AS IMPROVE PERSONNEL MORALE THROUGH BETTER RATE FOR PERSONAL CONVERSIONS.

7. PLEASE ADVISE.  
MENDENHALL

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 17 JAN 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974TANANA00062  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
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**Line Count:** 99  
**Locator:** TEXT ON-LINE  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 2  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** morefirh  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 24 APR 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <24 APR 2002 by boyleja>; APPROVED <28 MAY 2002 by morefirh>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** DOLLAR-MALAGASY FRANC EXCHANGE RATE PARIS FOR RFC  
**TAGS:** AFIN, MA, US  
**To:** STATE PARIS  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005